



The High-Tech Texas Export Boon

PAGE 2



International Markets Fuel Texas Economy

PAGE 8



Moving Goods: The Transportation Factor

PAGE 10

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, June 2007

MAY REVENUE (IN MILLIONS): SALES TAX: \$1,794.3 OIL PRODUCTION: \$71.0 NATURAL GAS: \$158.3 MOTOR FUELS: \$246.4 MOTOR VEHICLE SALES: \$307.1 TOBACCO: \$135.2

Around Texas

- **The Texas Legislature** approved a bill to give retired teachers and public school workers their first benefits increase since 2001.
- **Dunkin' Donuts** plans a major expansion, including 500 new franchise locations in Texas.
- **Researchers** have discovered a naturally occurring virus that kills fire ants, which cause about \$1.2 billion in damage each year in Texas.
- **San Antonio-based Valero Energy Corp.** sold its Lima, Ohio refinery to Canada's Husky Energy Inc. for \$1.9 billion.

INSIDE

Open Window on State Spending

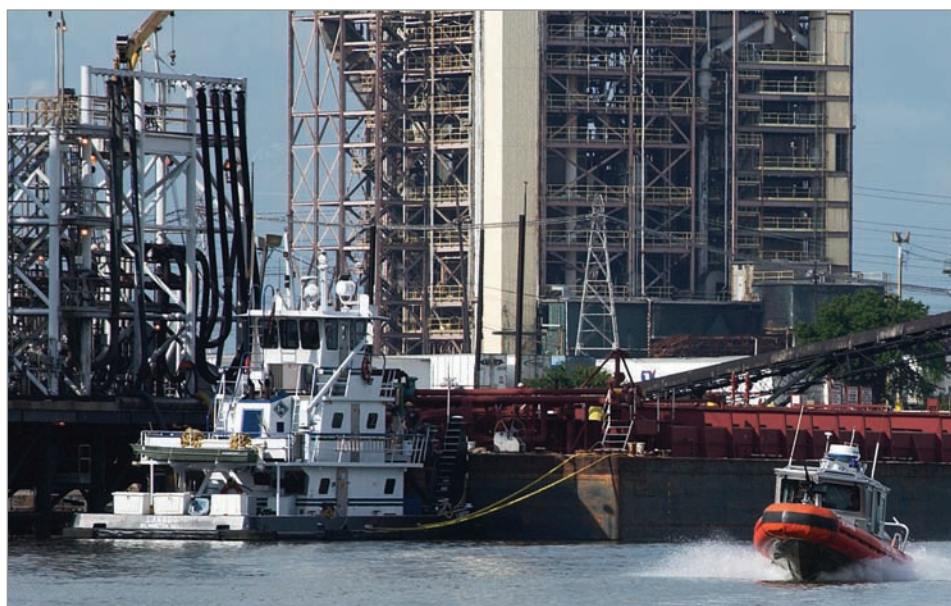
PAGE 13

Texas Unemployment Rate Dips

PAGE 14



Texas Ports: Powerful Potential for Trade, Jobs



Port of Houston, La Quinta Trade Gateway Position State as New U.S. Delivery Door

Commanding a 25-mile-long complex of cargo and container facilities and hosting more than 7,000 vessels a year, the Port of Houston is not only a major player in the nation's shipping trade, but also is uniquely

positioned to become the new delivery door to the U.S. for importers. The world's goods will flow even more easily in and out of the state if the La Quinta Trade Gateway project in Corpus Christi succeeds as well. Both also could generate thousands of Texas jobs, and provide significant boosts to the local and state economy.

CONTINUED PAGE 4

High Tech a Global Boon for Texas

State Reaps the Benefits of International Markets for Computers, Electronics

Perhaps no other statistic so fully conveys the changes Texas has seen in the last half-century: in 2006, the state's biggest export commodity wasn't oil and gas, cotton, cattle or the other traditional mainstays. It was computers and electronic components.

From the telecommunications cluster of Dallas-Fort Worth to the Silicon Prairie around Austin — and elsewhere around the state — Texans are making high-tech products that are sold all over the world. Last year, the state exported nearly \$35.2 billion worth. And those sales support thousands of Texas jobs.

High Tech, Texas-Bred

Texas has bragging rights as the birthplace of high tech since Texas Instruments' legendary scientist Jack Kilby invented the integrated circuit — now commonly called a computer chip — in Dallas in 1958. Kilby's prototype initiated a technological revolution that changed virtually every facet of our daily lives. Worldwide sales of integrated circuits totaled \$209.5 billion in 2006, according to Advanced Forecasting, an industry analysis group.

Today, more than 116,000 Texans work in the manufacture of computers, telecommunications equipment and other electronics, according to the Texas Governor's Business and Industry Data Center

(BIDC). Major employers include firms such as Texas Instruments, HP, Dell Computers, Freescale Semiconductors, Samsung and Advanced Micro Devices.

products and components for Mexico's own burgeoning high-tech industries.

"Guadalajara is a big semiconductor site, it's like the Mexican Silicon Valley," said

Today, more than 116,000 Texans work in the manufacture of computers, telecommunications equipment and other electronics, according to the Texas Governor's Business and Industry Data Center (BIDC).

Much of their success hinges on international markets, and business is good: BIDC reports that the state's exports of computers and electronics surged ahead nearly 13 percent in 2006.

Across the Border

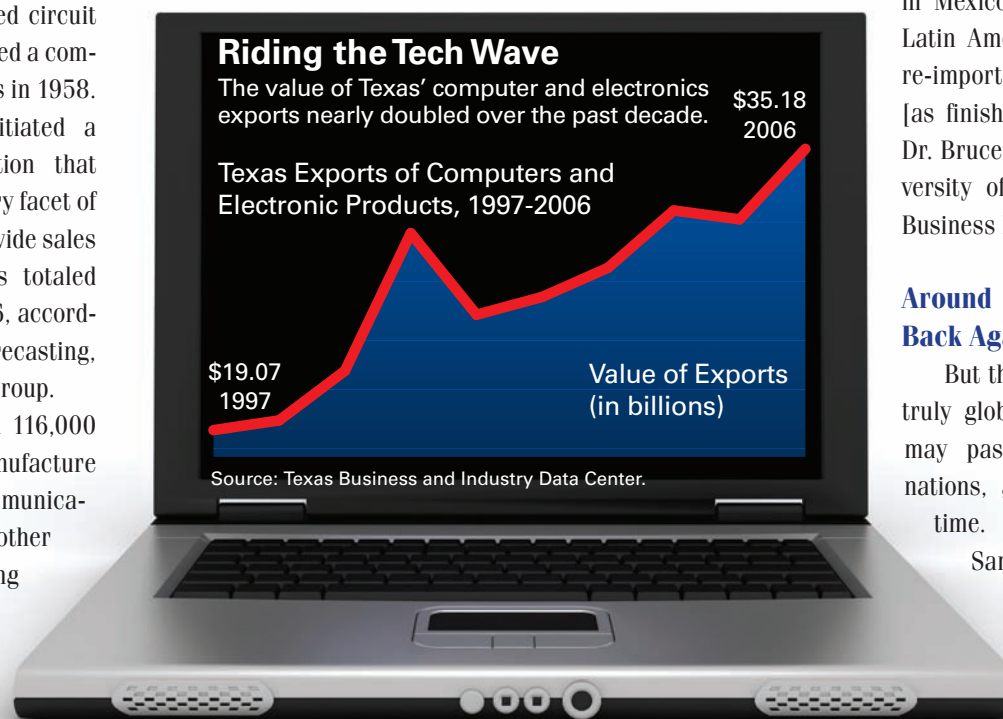
More than a third of all Texas exports go to Mexico, and electronics are an important part of the mix, both finished consumer

Adriana Cruz, vice president for Corporate Recruitment for the Greater Austin Chamber of Commerce. "HP and some of the other big names have operations there. You have a lot of computer companies there doing assembly work, and so some components from [Texas] go there for assembly, and then they go further into Latin America."

And other products come right back into the state. "We export many [electronic] components to firms in Mexico and elsewhere in Latin America that are then re-imported into the states [as finished products]," said Dr. Bruce Kellison of the University of Texas' Bureau of Business Research.

Around the World and Back Again

But that's the nature of a truly global economy: items may pass through multiple nations, gaining value each time. "Companies like Samsung — the [computer] chips that they manufacture here in Austin are



put on a truck and then on a plane in Dallas, and then they go out to Korea,” Cruz said. “And then, in Korea, they’re put into phones, TVs, computers or whatever, and then they may be sent back to the states.”

Meanwhile, the expansion of Asian nations is opening major new markets for Texas goods. Dell and HP are benefiting from aggressive demand for computers, for instance. “The PC growth rate in a country like India is 20 to 25 percent, year over year — every year it’s growing at about twice the worldwide rate,” said Raj Shah, managing director for Finovant, an Austin-based strategic advisory company serving the technology industry.

Demand is riding high for other electronics as well. “The automotive industry is booming in India and China,” Shah said. “Almost every major automotive manufacturer is setting up shop there. And companies like Texas Instruments have entire businesses that sell automotive processors, the kind that show up on your dashboard. That’s another big factor. As these auto sectors grow dramatically, folks like Texas Instruments benefit, [selling] specialty chips and other components that are designed and manufactured in Texas.”

Global Reach Benefits Texas

The global reach of Texas electronics is good news for Texas, Kellison said. “It’s an excellent indicator that the Texas economy is further diversifying away from low-value-added to high-value-added exports. It’s very encouraging. We like to see electronics and other high-value-added materials going out of the state.

“It means that the Texas economy is functioning at a higher level. Texas workers are more productive, and manufacturing is moving into high tech and away from traditional areas. It means the Texas educational



system is doing its job and working hard to educate Texans to work in manufacturing plants that can make high-tech goods for export,” he said. **FN**

CONTINUED FROM PAGE 1

Texas Ports: Powerful Potential for Jobs

Big Box Opportunities

Increased trade with China and strategically placed distribution centers for big-box retailers are fueling the Port of Houston's growth, said Jim Edmonds, chairman of the Port of Houston Authority (PHA). The Port of Houston is made up of the PHA and more than 150 private industrial companies along the Houston Ship Channel.

"There are 60 million people within 700 miles of Houston," Edmonds said. "A lot of these big-box retailers look at serving these

markets and are building these big distribution centers near the port."

In 2005, Wal-Mart opened a massive 4 million-square-foot distribution center in the Houston Ship Channel area. The center will unload shipping containers and distribute merchandise via truck to regional Wal-Mart warehouses and stores. Home Depot also has a 750,000-square-foot distribution facility near Baytown.

"Houston is very well-positioned because of its location and rail services," said John

Martin, president of Martin Associates. "It's one of the emerging ports, along with Jacksonville, Savannah, Norfolk and Charleston. They're the ones we're going to see the most growth in."

In 2006, the Port of Houston generated \$117.6 billion in total economic activity in the state, including \$8.1 billion in direct business revenue, according to a 2007 economic impact study by Martin Associates, which provides economic analysis to seaports. Since 2000, the port has affected more than 785,000 jobs.

In 2006, more than 240.9 million tons of cargo moved through the port — a 26 percent increase from 2000.

Trade Delivery Door

The Port of Houston is uniquely positioned, possibly replacing California's Port of Long Beach, say analysts.

"(For) cargo that's coming in from Asia through Long Beach and destined for areas east of the Mississippi, carriers are looking at using Houston to come up through the middle part of the country," said Martin.

Retailers' desire to diversify trade routes in recent years has also focused attention on Houston's port. In 2002, a labor dispute shut down all U.S. container port operations on the West Coast. The dispute triggered a massive backup of ships unable to unload cargo. The shutdown delayed goods reaching shore, and stores, and the aftermath cost the U.S. economy \$15.6 billion, according to Martin.

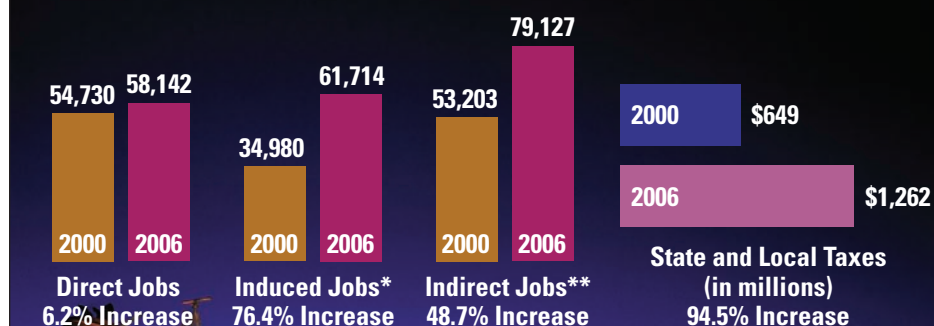
"After the West Coast shutdown of 2002 and 9-11, the steamship lines have placed importance on diversification and not putting all your eggs in one basket," he said.

The Port of Houston currently handles 64 percent of the containerized cargo market along the U.S. Gulf and 94 percent of the waterborne containers moving through Texas. Container traffic at Houston's port has risen at

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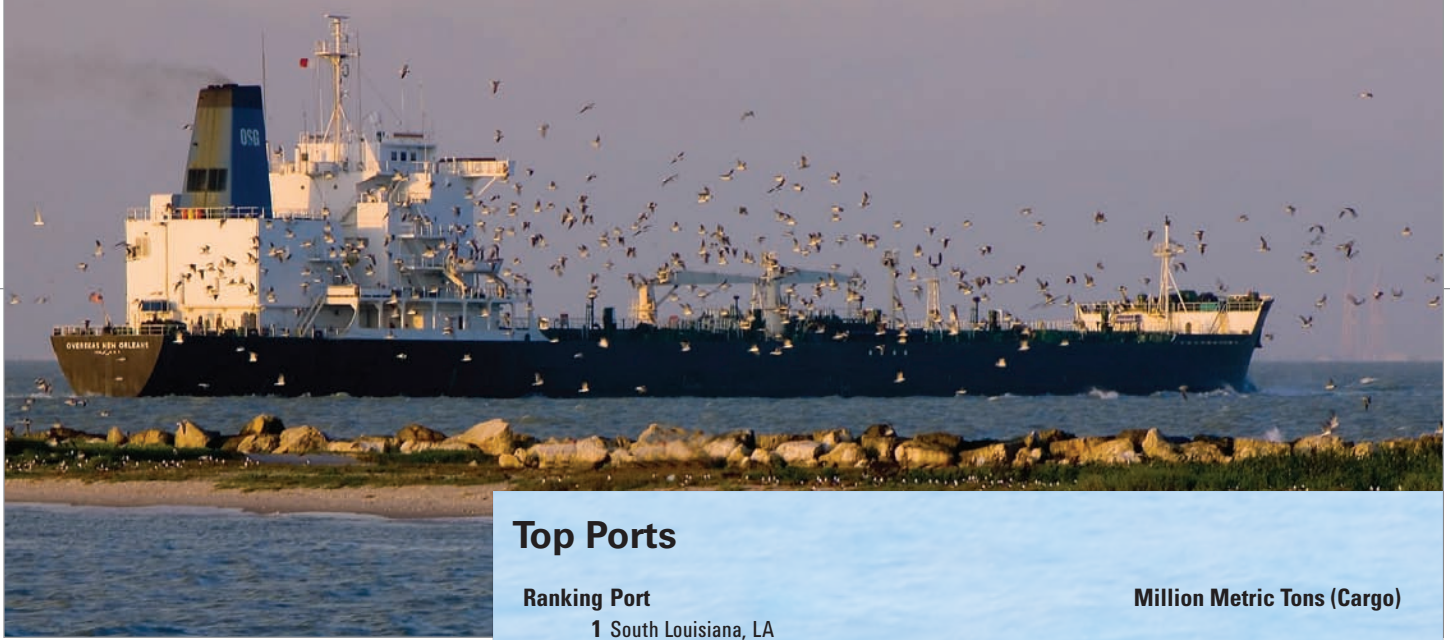
Port Brings Jobs, Impact

The Port of Houston is operating at full steam, plunging an estimated \$117.6 billion into the Texas economy in 2006, according to a 2007 study by Martin Associates. In 2006, the Port of Houston generated 198,983 jobs in the state and \$1.3 billion in state and local taxes.



* Induced jobs are those generated by the purchases of direct employees.
 ** Indirect jobs are those with suppliers of services to the firms providing direct port services.

Source: Port of Houston Authority.



an average growth rate of more than 10 percent a year for the last 15 years.

Panama's Canal

Along with the Suez Canal and the U.S. intermodal system, the Panama Canal is a third common route connecting Asian-based manufacturers and exporters with major consumer markets on the U.S. Gulf and East Coasts. A planned \$5.3 billion expansion of the Panama Canal will widen and deepen the corridor — driving more business to the Port of Houston.

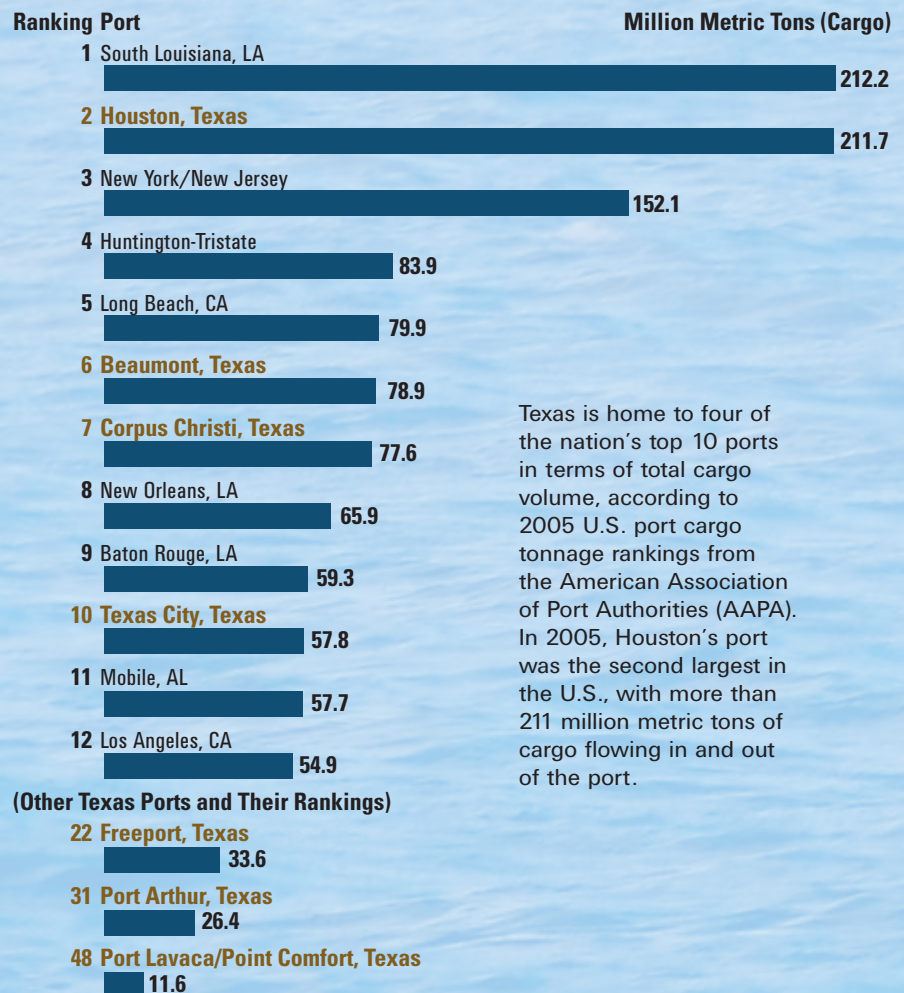
“About 12 percent of The Port of Houston’s cargo currently comes through the Panama Canal,” said Edmonds. “As they expand it, bigger ships can come in. We’ve been big supporters of that.”

A 2006 study by Cambridge Systematics for the Texas Department of Transportation said the impact of the Panama Canal expansion “will be felt most heavily on and around the Port of Houston, the state’s largest container port and a key trading partner for goods shipped via the Panama Canal.”

On the Horizon for Houston

To help accommodate future growth, in February 2007 PHA officials opened the first dock of the \$1.4 billion Bayport Container Terminal, a planned container and cruise terminal that will have a maximum capacity of about 2.3 million TEUs (one TEU is equal to 20 linear feet of a shipping container) — a 200 percent increase from PHA’s current container handling capacity. The terminal will be built out in phases over 15 to 20 years to meet

Top Ports



Texas is home to four of the nation’s top 10 ports in terms of total cargo volume, according to 2005 U.S. port cargo tonnage rankings from the American Association of Port Authorities (AAPA). In 2005, Houston’s port was the second largest in the U.S., with more than 211 million metric tons of cargo flowing in and out of the port.

Source: American Association of Port Authorities, www.aapa-ports.org

market demand. After five years of operation, the terminal is projected to generate more than 9,800 jobs, \$1.1 billion in business revenue and \$35.6 million in state and local taxes, according to PHA.

“We think the growth rate in containers will grow at 11 or 12 percent annually,” said Edmonds. “I think it will force us to build Bayport as quickly as we can.”

Along with Bayport’s buildout, the PHA’s immediate projects include refurbishing existing facilities, including the Barbour’s Cut terminal, which was built in the 1970s and is operating above designed capacity, Edmonds said.

In May 2007, PHA signed a joint agreement with the Port of Galveston to develop a container-handling facility on Pelican Island.

Port Delivery Firsts

The Port of Houston and the Houston Ship Channel boast an impressive list of "first" accomplishments.



1919

First direct shipment of Texas cotton to Europe leaves the port (23,719 bales).



1943

Houston-area plants begin producing synthetic rubber and ship it through the port for war use.

Development will begin after 2015, when PHA's Bayport Container Terminal is fully built out.

"It will be a good project, very much like Bayport, and we'll work together on master planning in a few years," said Edmonds.

La Quinta Trade Gateway

At present, Houston and New Orleans are the only U.S. ports on the Gulf of Mexico capable of serving large container ships. But, more goods will flow in and out of Texas if the La Quinta Trade Gateway project in Corpus Christi succeeds — and thousands of Texans will get jobs from it, too.

The La Quinta Trade Gateway would provide road and rail links at a docking facility

designed for container ships. Most of the world's manufactured goods are transported in containers, standardized 20- and 40-foot boxes that can be moved directly from tractor-trailer trucks to trains or ships.

High Tide for Trade

Planning for the Trade Gateway began about 10 years ago, according to Jake Jacobi, a former assistant director of the port and now a consultant to the La Quinta project. The La Quinta site occupies 1,100 acres on the northern side of Corpus Christi Bay, a few miles northeast of the existing port.

The project will address an increasingly serious need for additional container

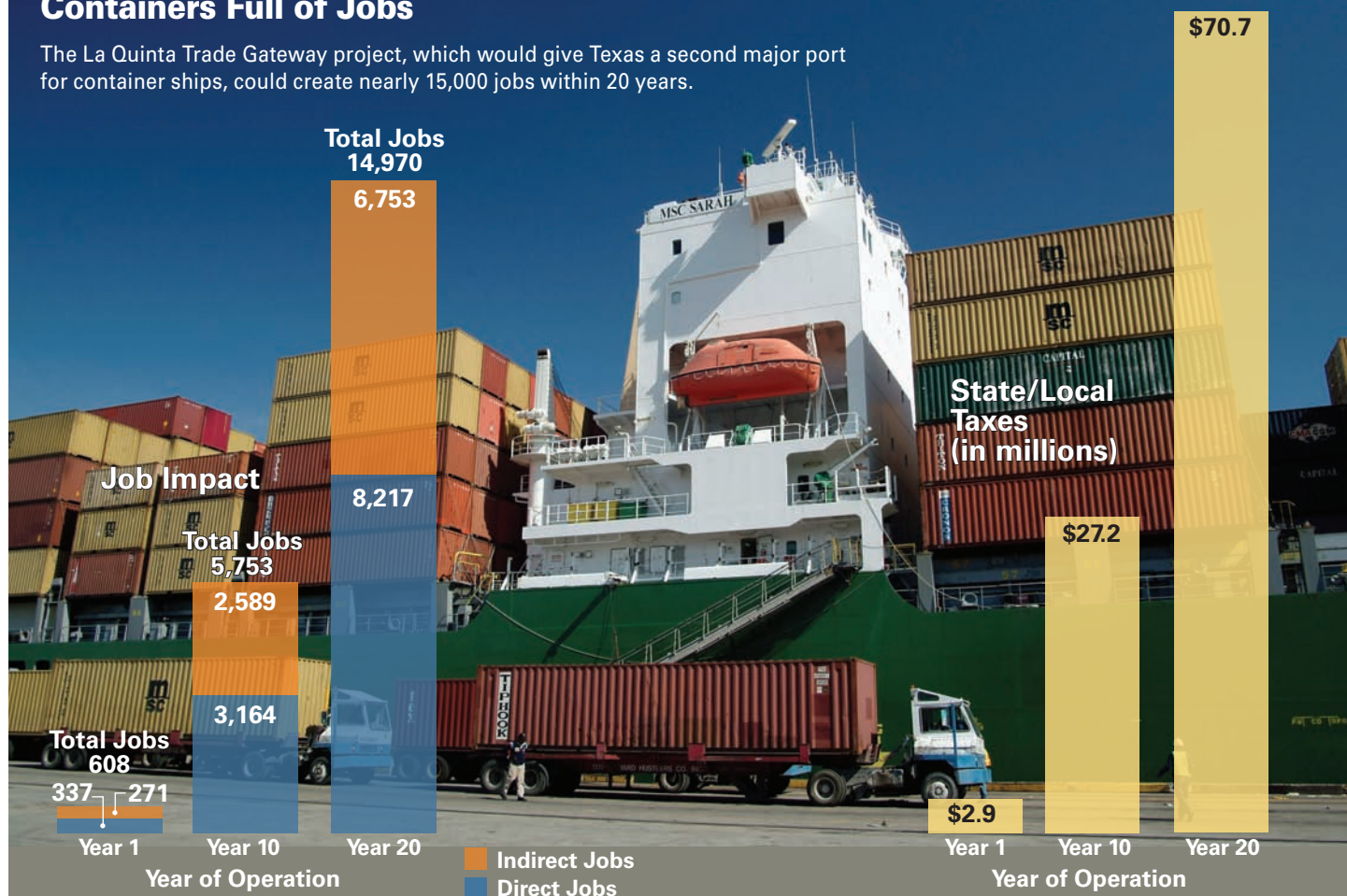
facilities in the United States, Jacobi said. Congestion problems prompted by burgeoning trade with East Asia have plagued ports and rail facilities in California, and "all-water" shipments through the Panama Canal to the Gulf and the East Coast have surged in response.

"The project will make Texas a lot more competitive in attracting companies that do business in international markets," Jacobi said.

Planners expect development of the site to proceed in four phases, ultimately including a major marine terminal, 3,500 feet of wharf, nine cranes for moving containers and a 114-acre railroad terminal. At

Containers Full of Jobs

The La Quinta Trade Gateway project, which would give Texas a second major port for container ships, could create nearly 15,000 jobs within 20 years.



Source: Port of Corpus Christi.



1962

Port and ship channel influence Houston's selection as site for NASA Manned Spacecraft Center.



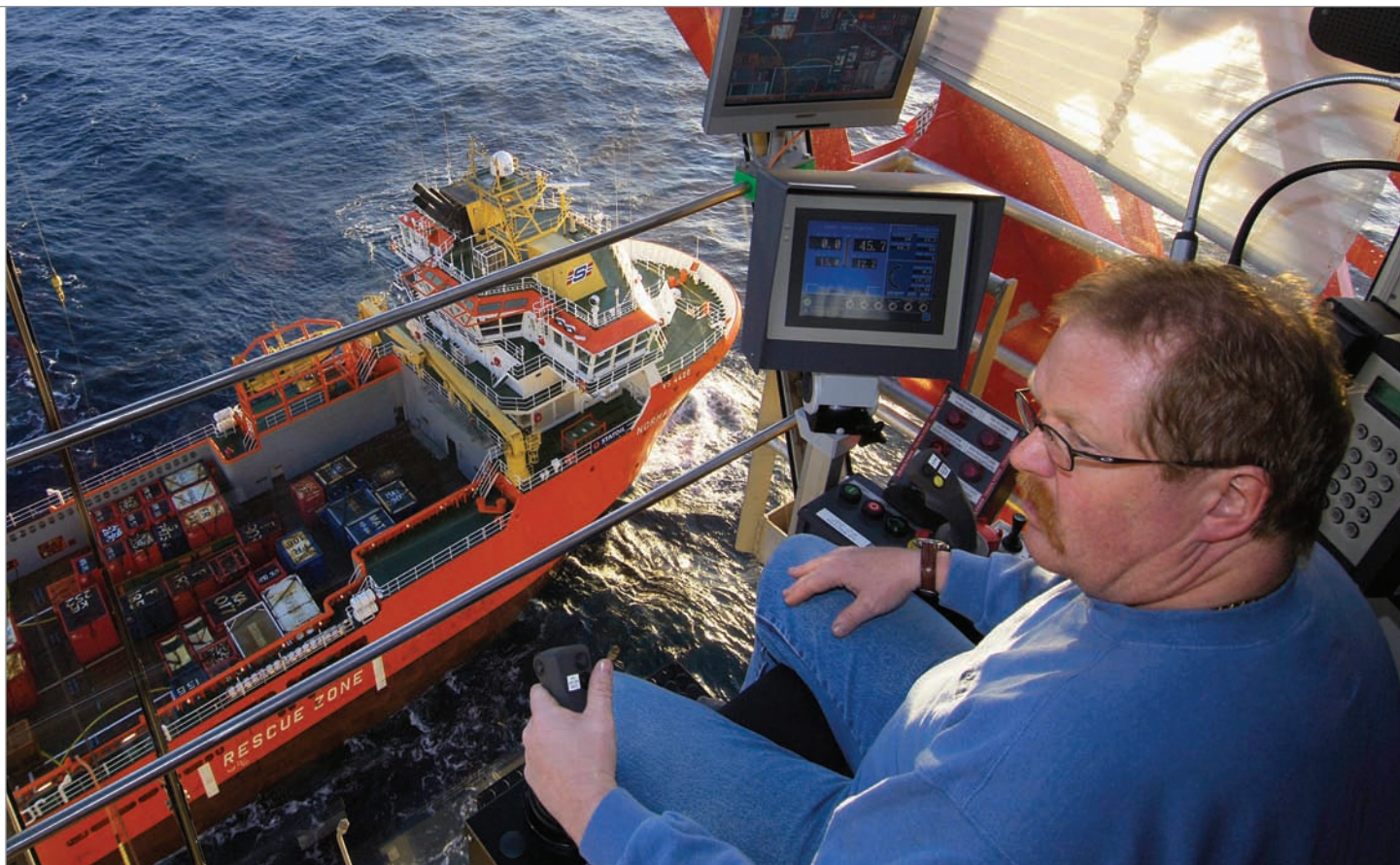
1990-91

Port of Houston is third-largest load center for U.S. military in Gulf War.



2000

Port of Houston becomes first U.S. port to test air emissions of off-road equipment.



A Martin Associates study commissioned by port planners estimated that the Trade Gateway would directly create 337 new jobs in its first year of operations, a number rising to 3,164 by the tenth year of operations and more than 8,200 jobs in the twentieth year.

its peak, La Quinta should be able to handle about 700,000 containers at a time.

The port has entered into an agreement with a Madrid-based company, Dragados S.P.L., to build and operate the facility.

Shipping in Jobs

La Quinta would bring significant benefits to the state economy. A Martin Associates study commissioned by port planners estimated that the Trade Gateway would directly create 337 new jobs in its first year of operations, a number rising to 3,164 by the tenth year of operations and more than 8,200 jobs in the twentieth year. These jobs would include

work with railroads and trucking companies as well as employment with marine terminals and jobs as freight forwarders, longshoremen and other specialized positions.

The project also would have broader indirect effects that would boost employment with everything from parts and equipment suppliers to food and clothing stores. In all, the study estimated that La Quinta would create 608 new Texas jobs in its first year; 5,753 jobs by the tenth year; and nearly 15,000 jobs by year 20.

The state would benefit as well, since the project would generate about \$70.7 million in new state and local taxes annually by its 20th year of operation.

A Bridge to Cross

At present, the largest remaining hurdle to the project is the need for a 1.5 mile extension to connect the La Quinta site with the Corpus Christi Ship Channel, a project estimated to cost about \$40 million. The 2006 reauthorization of the federal Water Resources Development Act (WRDA) would have allotted \$30 million for this project, with the port picking up the remainder, but the bill died in committee in December 2006.

But port officials remain confident federal funding will come.

"If WRDA does not pass, the project will be delayed, not cancelled," Jacobi said.

Visit www.laquintatradegateway.com for more information about the La Quinta Trade Gateway project. For more information about the Port of Houston, contact the Port of Houston Authority at (713) 670-2400 or visit www.portofhouston.com. **FN**

Crossroads of the World

International Markets

Fuel Texas Economy

Texas has always meant business — but today, that business extends throughout the world.

As the nation's gateway to Latin America, billions of dollars' worth of products pass through Texas each year as they travel into and out of the country. And a weaker dollar and the rapid growth of Asian economies such as China's have made Texas trade a truly worldwide enterprise.

What Flows In, What Goes Out

The Texas Governor's Business and Industry Data Center (BIDC) reports that,

in 2006, Texas imported \$245.2 billion in goods for businesses and consumers. Energy products, including oil, gas and coal, and power-generating machinery accounted for \$75.9 billion or about 31 percent of all imports. Miscellaneous machinery and appliances and telecommunications and other high-tech equipment were our second- and third-most common imports.

According to BIDC, Texas exported goods worth \$150.9 billion in 2006. "Nearly

15 percent of Texas' economic output is related to exports," said Fiona Sigalla, an economist with the Federal Reserve Bank of Dallas. "That's nearly twice as big a share as the U.S. [as a whole]." Computers and electronic products led the state's exports, with \$35.2 billion or about 23 percent of the total. Chemical products and machinery were our second- and third-most important exports.

Our closest international neighbor is Texas' largest trading partner by far.

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What Texas imports...

Texas imported commodities worth \$245.1 billion in 2006.

Commodity	2006 Import Totals (in \$ billions)
Energy and power-generating machinery	\$75.86
Misc. machinery & appliances	\$46.16
Telecom & high technology	\$31.65
Vehicles & transportation prods.	\$27.65
Metals & minerals	\$20.89
Chemicals & plastics	\$10.95
Textiles & apparel	\$7.03
Food & tobacco	\$6.86
Timber & paper products	\$1.57
Medical & pharmaceuticals	\$1.05
Agriculture & livestock	\$0.77
Other	\$14.75
Total Texas Imports	\$245.18

...and where we get it

In 2006, Mexico was by far our largest source of imports.

Country	2006 Import Totals (in \$ billions)
Mexico	\$124.00
China	\$15.91
Venezuela	\$13.33
Nigeria	\$6.86
Saudi Arabia	\$5.63
Germany	\$5.50
United Kingdom	\$4.66
Russia	\$3.41
Brazil	\$3.29
Japan	\$3.15
Other	\$59.49
Total Texas Imports	\$245.19

According to BIDC, Mexico accounted for nearly 51 percent of the state's imports (\$124 billion) and 36 percent of our exports (\$54.9 billion) in 2006. Texas exporters, however, have increasingly close ties with the powerhouse economies of East Asia. Our ten biggest export destinations include China, Korea, Taiwan, Singapore and Japan.

Just Passing Through?

Not all of the products exported from Texas were made here, however. "We're also a powerful distribution hub," said Sigalla. "Along the border, there's actually an industry built up around helping shipments get across."

And that industry has paid off big for the Border economy. "The boom around Laredo and other major road links to Mexico means that U.S. companies are transshipping things to Texas, where they get repackaged and reshipped to Mexico," said Dr. Bruce Kellison of the University of Texas' Bureau of Business Research. "They can't build transshipment points in Laredo fast enough."

"The construction going on there, for warehousing and shipping facilities, is phenomenal," Kellison said. "Manufactured goods are trucked or rail-shipped to these facilities, offloaded, repackaged and reloaded on to trucks or rail beds and then shipped over the border."

Dollar Down, Trade Up

Present trends look good for Texas' exporting businesses. "We've seen some declines in the value of the dollar in the last year or so, which makes Texas products more affordable to customers overseas," Sigalla said. "It's been statistically shown that the Texas economy benefits when the value of the dollar declines."

According to Sigalla, international trade is an increasingly important component of the state economy. "It has helped to diversify and stabilize the state economy. Businesses here have learned to capitalize on the global economy and profit from it, and there doesn't seem to be any sign that that's going to slow down." **FN**

What Texas exports...

In 2006, computers and electronic components were Texas' biggest exports.

Commodity	2006 Export Totals (in \$ billions)
Computers & electronic products	\$35.19
Chemicals	\$28.73
Machinery (except electrical)	\$20.36
Transportation equipment	\$15.16
Petroleum and coal products	\$12.83
Elec. equipment, appliances & components	\$6.89
Primary metal manufactures	\$5.02
Fabricated metal products	\$5.00
Food and related products	\$3.33
Plastics and rubber products	\$3.23
Other	\$15.15
Total Texas Exports	\$150.88

...and where we send it

Mexico is our largest export destination, but Asian economies are playing an increasingly important role.

Country	2006 Export Totals (in \$ billions)
Mexico	\$54.88
Canada	\$15.63
China	\$6.64
Korea	\$5.34
Netherlands	\$4.42
Taiwan	\$3.88
Singapore	\$3.50
Brazil	\$3.18
United Kingdom	\$2.90
Japan	\$2.77
Other	\$47.75
Total Texas Exports	\$150.89

Note: Totals may not add due to rounding. Source: Texas Business and Industry Data Center.



Moving Goods: The Transportation Factor

Air, Rail and Roads Support Texas' Leading Trade Position

With its massive transportation network and its central location in the continent, Texas is superbly positioned for its role as the nation's number-one state for foreign trade. Each day, hundreds of millions of dollars' worth of goods and raw materials flow in and out of the state on wings, rails and wheels.

Trade Gateway by Air

According to the U.S. Bureau of Transportation Statistics (BTS), five Texas airports — D-FW in the Metroplex, George Bush Intercontinental in Houston, Fort Worth Alliance Airport, San Antonio International and Austin-Bergstrom International — ranked among the nation's 50 busiest cargo airports

in 2005, as measured by "landed weight" — the weight of aircraft landing there that carry only goods rather than passengers.

"The vast majority of [Texas] air cargo is in the Dallas-Fort Worth area — DFW ranks number 1 by far," said Jeff Warner, a researcher with the Texas Transportation Institute. "Houston Intercontinental is second, followed by Fort Worth Alliance. [Air cargo operations] are fairly consolidated at airports within the major regions of the state. Companies like Fed Ex and UPS [deal in] time-sensitive shipments and use these facilities quite extensively. It puts them in the locations where they need to distribute items."

D-FW ranked 11th nationally for cargo transport in 2005, with more than 3.3 billion pounds of landed weight.

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Portals to the World

Texas is home to nine of the nation's largest "trade gateways" — ports, airports and border crossings that provide access for imported or exported goods. Nearly \$331 billion in goods flowed through these locations in 2005.

Texas' Largest Foreign Trade Freight Gateways, 2005

Gateway	Transport Mode	U.S. Ranking	Exports (\$ billions)	Imports (\$ billions)	Total
Laredo	Land transport	6	\$40.9	\$52.8	\$93.7
Houston	Seaport	7	33.8	52.3	86.1
El Paso	Land transport	14	18.9	24.1	43.0
Dallas-Fort Worth	Airport	17	15.4	19.7	35.1
Hidalgo	Land transport	33	7.6	10.7	18.3
Beaumont	Seaport	34	1.2	15.8	17.0
Corpus Christi	Seaport	38	2.2	13.3	15.5
Brownsville	Land transport	46	6.3	5.1	11.4
Texas City	Seaport	47	1.6	9.2	10.8
TOTAL			\$127.9	\$203.0	\$330.9

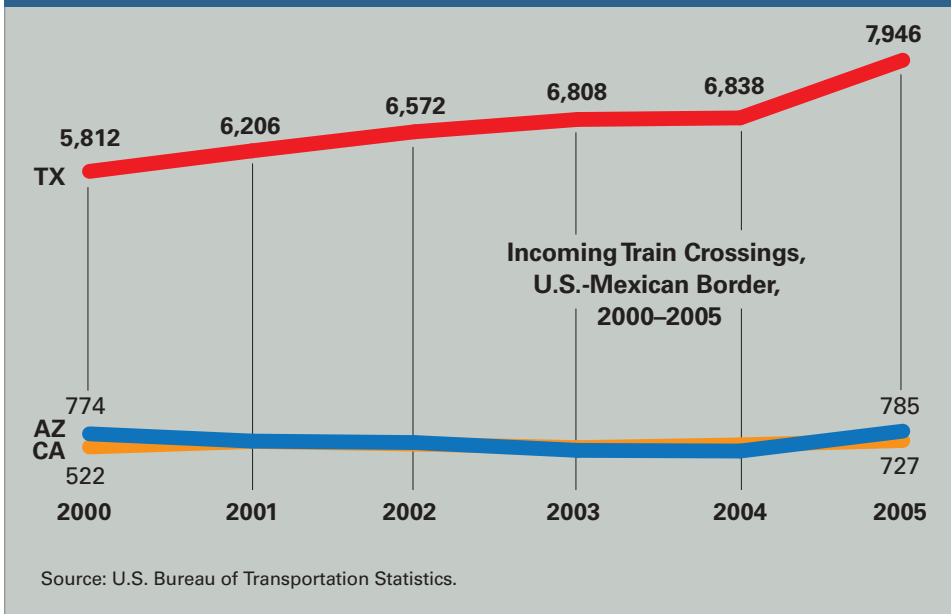
Source: U.S. Bureau of Transportation Statistics.





All Aboard

An overwhelming majority of goods and products entering the U.S. by rail from Mexico come through Texas.



D-FW also ranks highly in foreign trade even when compared with seaports and land-based transportation hubs. BTS reports that the airport was the nation's 17th-largest "trade gateway" in 2005, a term applying to seaports, airports and border crossings that provide access for imported or exported goods. In that year, more than \$35 billion in

goods for import and export moved through the busy airport.

Trains Keep Rollin'

Texas has the largest freight rail network of any state by far — 10,386 miles of it, according to BTS, or nearly twice as much track as second-ranked California. Yet

even this network is only a remnant of the glory days of rail.

The Texas Department of Transportation (TxDOT) reports that Texas has lost 39 percent of its rail network since 1932, and the University of Texas Center for Transportation Research notes that about 2,400 miles of Texas track have been abandoned since 1980 alone.

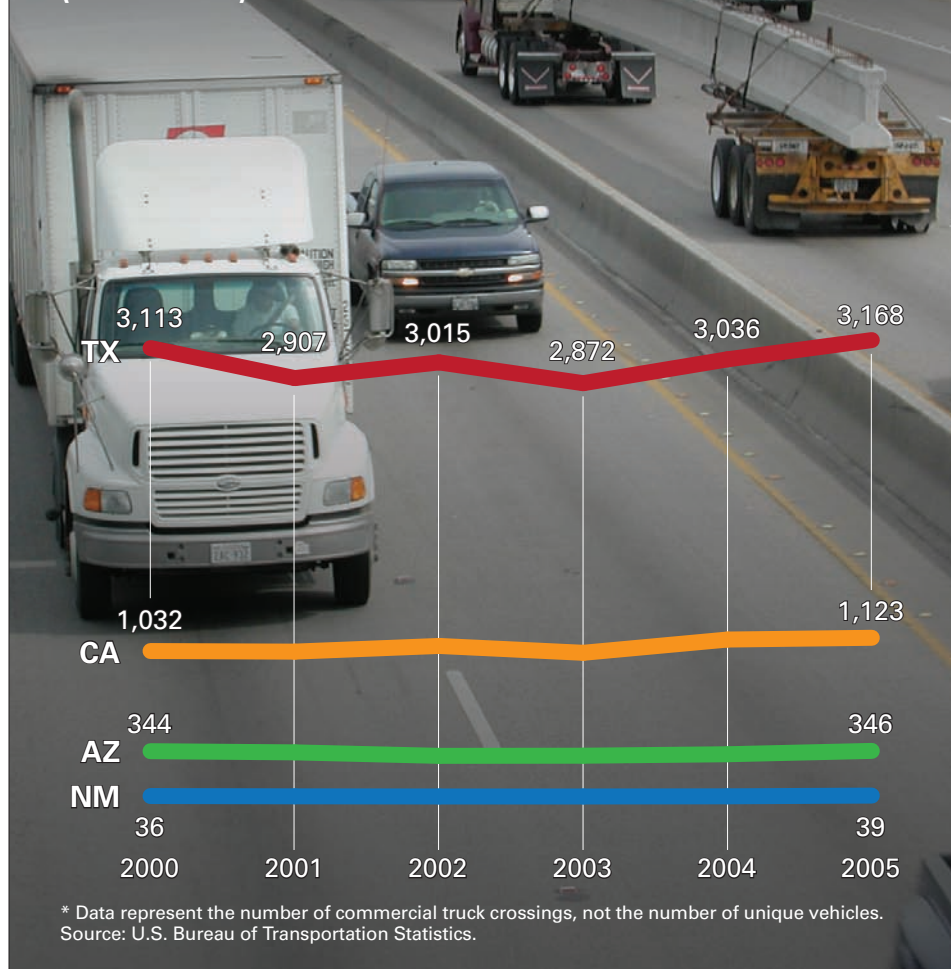
What remains, though, is used heavily. "The major railroads are needing to move more and more traffic," said Curtis Morgan, a program manager with the Texas Transportation Institute. "For the larger railroads, the issue is maintaining infrastructure and adding capacity where they need to. For many years, the railroads were hurting for business. Now, [they serve] a lot of businesses in California and the Los Angeles area, [moving] goods that need to come through the state to get to the East coast."

And Texas' rail lines also facilitate the nation's burgeoning trade with Mexico. More than four-fifths of the nation's train crossings from Mexico occur in Texas, according to BTS. Those trains carried nearly 303,000 containers filled with imported goods and materials.

Truckin' On In

Texas is by far the most common destination for commercial trucks entering the country from Mexico.

Incoming Truck Crossings, U.S.-Mexican Border: 2000–2005* (Thousands)



CONTINUED FROM PAGE 11

Even the trains themselves are becoming bigger. “They’ve made a move in recent years to larger railroad cars, 286,000 pounds in capacity,” Morgan said.

And all this rail activity means jobs. According to BTS, about 16,800 Texas jobs were connected to freight rail in 2005, more than in any other state.

Kings of the Road

But the undisputed leader of trade transportation in Texas — and the nation as a whole — is commercial trucking, which has become increasingly important. In 2005, for instance, 13.6 million metric tons of goods were imported from Mexico into Texas by surface transport; trucks handled 72 percent of the load, while rail lines carried 27 percent (the remainder moved by other means such as pipelines and mail).

Unsurprisingly, Texas dominates America’s truck-based trade with Mexico. BTS reports that nearly 3.2 million commercial truck crossings from Mexico into Texas occurred in 2005, about 68 percent of the national total.

Together, trains and trucking have made Laredo Texas’ biggest single foreign trade gateway, and the nation’s sixth-largest, with \$40.9 billion in exports and \$52.8 billion in imports in 2005. El Paso was the state’s second-largest trade gateway based on surface transport, and 14th nationally, with \$18.9 billion in exports and \$24.1 billion in imports.

Trucking has a major impact on Texas’ 304,000-mile road network, the nation’s largest. “Truck freight is greatly affected by congestion, that’s possibly the biggest issue,” said Warner. “There’s going to be an increase in traffic trying to service major facilities [such as] the ports and inland freight distribution centers that are being developed,” Morgan added.

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Congestion is an increasingly pressing issue in many areas of the state. TxDOT reports that the use of Texas roads has risen by 95 percent in the last 25 years, while road capacity rose by just 8 percent. And trucks have a major impact on the road network.

“I would say that [commercial trucking] is going to continue to grow as a percentage of overall traffic throughout the state, and trucks have more of a impact on roadway maintenance,” Morgan said. “Maintenance expenditures will go up.” TxDOT estimates

that Texas will need road projects worth \$188 billion, as well as other solutions such as commuter rail, to provide an acceptable amount of mobility by 2030.

But commercial trucking, a significant business in Texas, also has a profoundly positive effect on the state economy. In 2004 (most recent figures available), the state ranked second behind California in the size of its trucking transportation industry, with 7,619 business establishments, nearly 110,400 employees and an annual payroll of more than \$3.7 billion, according to BTS. **FN**

Opening the Window on State Spending

Expenditure Disclosure Efforts at Leading Edge of National Trend

Texas' budget for the 2008-09 biennium topped out at more than \$151 billion. And now forward thinking and modern technology brings Texans, along with anyone else with Internet access, a chance to follow the dollars as they are spent for state business.

In January 2007, Texas Comptroller Susan Combs began detailing expenditures for various state agencies on the Comptroller's Web site at www.window.state.tx.us. In June 2007, that online endeavor was further developed into *Where the Money Goes*, a multi-faceted Web presence that provides a window into broad spending categories for all state agencies and institutions, as reported to the Comptroller's office.

That openness—or transparency—helps take some of the mystery out of government spending and is part of the Comptroller's commitment to Texans, Combs said.

"Texans deserve transparency in how their money is spent," she said.

Texas is not alone on the road to transparency, with as many as 15 states working on some type of online expenditures disclosure, according to Americans for Tax Reform. Various state efforts are outlined on the organization's Web site at www.ATR.org.

The Next Step

Combs' efforts to detail expenditures were already under way when legislation from the 80th Texas Legislature—House Bill 3430 by Rep. Mark Strama—called for a searchable database detailing all state agency expenditures to be online by October 2007.

That previous work will help with making that information available to Texans, Combs said.

Window on State Government
A Close Look at Your Money at Work for Texas

Susan Combs
Texas Comptroller of Public Accounts

Home

>> Start Here to View State Expenditures

Where the Money Goes.
As Texas Comptroller, I'm responsible for safeguarding the hard-earned dollars Texans pay in taxes. And I want them to have a clear and transparent view into how those dollars are spent.

In the coming months, this site will provide an unprecedented amount of information on state spending. Our goal is to demystify government finances. We want Texans to understand, in plain language, where the money goes and how it's used. But this effort is only the beginning.

Greater clarity and detail on state spending will help agencies and citizens alike to see how the money is being spent—and how to spend it as wisely as possible. By sharing information and shedding new light on state spending, we can continuously spot ways to combine resources, pursue more effective purchasing strategies and set the bar for saving taxpayer dollars. Texans deserve no less.

Susan Combs
Texas Comptroller

State of Texas Net Expenditures, Fiscal Year 2006
Click or roll over chart to see amounts.

Best Practices for Government Purchases
Governments today face a tough challenge to do more with less. But dedicated men and women across the nation are finding innovative ways to do just that. Explore the success stories.

Glossary of Terms: What the Words Mean
State finance personnel have their own specific language, and it can be a little confusing to those unfamiliar with it. Here we'll review some basic terminology to help you get oriented while you review state expenditures.

Spotlight on Savings
The Comptroller's office saved \$130,000 in printing and mailing costs by taking a close look at agency publications to reduce, combine or publish online. We're always looking for ways to save taxpayer dollars. After all, we're taxpayers too.

Did you know?
State spending directly supports about 173,800 jobs in state government other than higher education; 51,100 jobs in state higher education institutions; and 264,800 jobs in local school districts.

"[The new database] will help consolidate information and enhance our commitment to demystify government finances."

Susan Combs, Texas Comptroller of Public Accounts

"[The new database] will help consolidate information and enhance our commitment to demystify government finances," she said.

The database will allow a user to see expenditure information down to the transaction level, including check registry amounts, dates, payors, payees and contract and grant information as provided. Additionally, each state agency maintaining a Web site will be required to include a link to the state expenditure database, thus broadening its visibility.

Openness can only help strengthen trust between Texas and its citizens, who in today's world are growing used to having information at their fingertips, Strama said.

"Direct citizen access to information has already created a powerful additional check and balance on government and the media,"

Strama said. "With HB 3430, citizens will be able to conduct their own research and hold government accountable in ways that were not possible before."

Accountability is good news, according to Peggy Venable, state director for the Texas office of Americans for Prosperity (AFP), which noted HB 3430 as a highlight of the 80th Legislature. AFP, a group that Venable described as a grassroots organization wanting to see citizens in greater control of their government, sees the database as a step in the right direction.

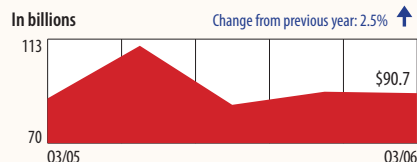
"Certainly we like the idea and think it's going to be very citizen-friendly," Venable said. "We think it's really important to increase that transparency, and accountability is going to be good for taxpayers." **FN**

Texas by the Numbers

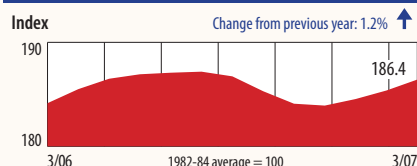
Key Economic Indicators

The Texas unemployment rate, at 4.2 percent, stands at its best level since 2001, after peaking as high as 6.8 percent in spring 2003. Although fuel prices have taken a cut out of consumer confidence and caused inflation to climb, the last time the oil and gas industry had as many operating rigs as it has today was in 1984. Although housing permits have scaled back substantially over the past year, the level of Texas home building activity remains active in comparison to national averages.

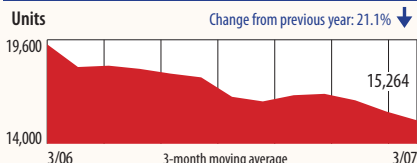
Retail Sales



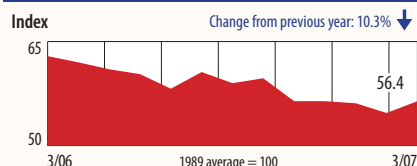
Consumer Price Index (Texas)



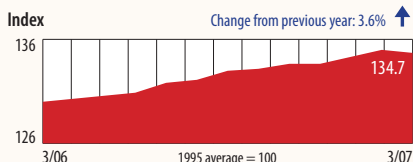
Housing Permits



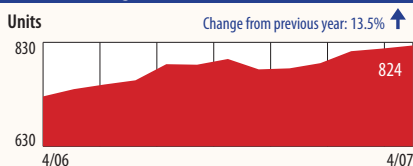
Help Wanted



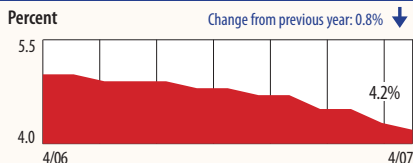
Industrial Production



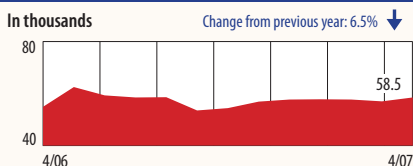
Oil and Gas Rigs



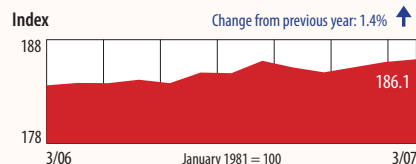
Unemployment Rate



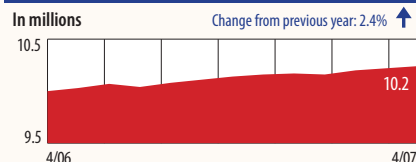
Unemployment Initial Claims



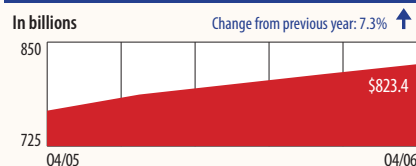
Leading Indicators



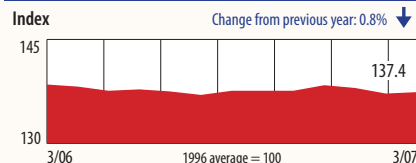
Non-farm Employment



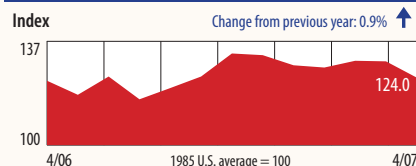
Personal Income



U.S. Leading Indicators



Consumer Confidence* (Tx, La, Ok, Ar)



Texas Production and Consumption Indicators

(Amounts in millions)

Date	Crude Oil		Natural Gas		Motor Fuel (in gallons)		Cement	Auto Sales	Cigarette
	Barrels	Value	Thousands of Cubic Ft.	Value	Gasoline	Diesel	Tons	Net Value (Estimated)	Pkgs. Taxed
2002	350.3	\$8,534.5	3,132.7	\$8,693.3	11,353.6	3,107.4	13.6	\$41,585.8	1,270.3
2003	338.6	9,946.6	3,019.4	13,676.5	11,379.2	3,216.7	14.9	39,296.2	1,234.3
2004	328.8	12,802.7	2,944.6	14,998.9	11,326.8	3,305.9	15.2	39,174.6	1,228.9
2005	326.8	17,222.9	3,149.9	21,328.5	11,285.5	3,463.3	16.5	41,955.3	1,239.0
2006	317.2	19,511.9	3,822.1	22,183.3	11,372.8	3,731.6	17.0	45,756.2	1,280.2
Last 13 months	3/06-3/07		3/06-3/07		4/06-4/07		3/06-3/07		4/06-4/07
	26.8	\$1,521.2	302.3	\$1,758.1	969.4	334.8	1.57	\$3,779.0	94.1
	25.6	1,654.6	296.3	1,778.1	938.4	309.7	1.41	3,776.9	114.7
	27.4	1,821.2	322.3	1,814.5	1,010.0	300.7	1.50	4,040.8	110.9
	26.3	1,746.6	308.4	1,650.0	943.5	326.3	1.53	4,186.8	102.3
	26.8	1,871.9	324.7	1,790.5	954.8	321.6	1.32	4,020.0	108.2
	26.7	1,836.8	333.9	2,042.5	960.8	322.0	1.57	4,331.1	109.6
	25.8	1,550.0	325.5	1,795.0	959.8	313.4	1.40	4,118.4	107.6
	26.8	1,470.9	343.6	1,413.7	969.3	326.5	1.40	3,989.7	124.6
	26.0	1,413.2	342.3	2,038.0	942.2	299.9	1.43	3,436.7	117.3
	26.5	1,504.2	362.9	2,220.8	963.1	300.9	1.24	3,336.3	75.0
	26.0	1,307.4	349.1	1,807.5	923.2	299.5	1.15	3,669.5	68.5
	24.0	1,324.8	320.8	1,950.0	880.2	304.8	1.32	3,717.8	96.9
	26.4	1,504.1	361.6	2,208.8	968.2	369.2	1.54	4,128.7	109.7

Notes: Crude oil and natural gas show taxable production and net taxable value for the production month. Oil and gas data are revised monthly from taxpayer records. Gasoline gallons include gasoline. Auto sales estimates are calculated from motor vehicle taxes that include taxable transactions in addition to the sale of new and used motor vehicles. Previous year totals may not match totals shown online due to updates. Figures are totaled on a calendar year.

Sources for Data

Retail Sales, Leading Indicators Index, Help-Wanted Index, Industrial Production Index: Texas Comptroller of Public Accounts

Non-farm Employment, Unemployment Initial Claims: Texas Workforce Commission

Texas Consumer Price Index: Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics

Unemployment Rate: U.S. Bureau of Labor Statistics

Oil/Gas Rig Count: Baker-Hughes Inc.

Consumer Confidence Index: The Conference Board

U.S. Leading Indicators Index, Personal Income: U.S. Bureau of Economic Analysis

Texas Housing Permits: U.S. Bureau of the Census

Notes: All figures are seasonally adjusted, except for the rig count, retail sales and consumer confidence. All figures are monthly except for retail sales and personal income, which are quarterly.

Figures are based on most recent available data.

May Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance May 1, 2007	\$11,163.6	\$10,770.3	\$21,933.9
Revenue/Expenditures			
Revenue	8,066.1	1,252.3	9,318.4
Expenditures	5,190.5	1,824.0	7,014.5
Net Income (outgo)	\$2,875.6	\$-571.7	\$2,303.9
Net Interfund Transfers and			
Investment Transactions	\$-953.9	\$715.1	\$-238.8
Total Transactions	1,921.7	143.4	2,065.1
End Cash Balance May 31, 2007²	\$13,085.3	\$10,913.7	\$23,999.0

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund Balance includes \$3.3 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date Sept. 2006-May 2007	
	May 2007	Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,794.3	\$15,064.4	11.5%
Oil Production Tax	71.0	608.2	-2.4
Natural Gas Production Tax	158.3	1,374.6	-26.4
Motor Fuels Taxes (Gasoline, Diesel, LPG)	246.4	2,267.9	2.1
Motor Vehicle Sales/Rental and			
Manufactured Housing Taxes	307.1	2,428.5	10.5
Franchise Tax	2,145.8	2,714.4	17.9
Cigarette and Tobacco Taxes	135.2	847.6	113.6
Alcoholic Beverages Taxes	61.3	539.1	7.5
Insurance Taxes	6.7	822.7	10.9
Utility Taxes ²	2.9	351.1	8.4
Inheritance Tax	0.2	4.1	-55.4
Hotel and Motel Tax	30.2	245.8	12.6
Other Taxes ³	-227.7	1,040.8	-29.3
Total Tax Collections	\$4,731.7	\$28,309.1	7.3%
Revenue by Receipt Type			
Tax Collections (see above)	\$4,731.7	\$28,309.1	7.3%
Federal Income	2,262.8	18,026.0	-1.9
Interest and Investment Income	207.4	2,012.0	16.5
Licenses, Fees, Permits, Fines and Penalties	785.7	5,100.3	12.4
Employee Benefit Contributions	402.4	3,286.8	5.0
Sales of Goods and Services	89.0	340.6	-7.1
Land Income	18.9	602.4	-9.2
Net Lottery Proceeds ⁴	121.6	1,165.5	-2.2
Other Revenue Sources	698.8	5,140.1	6.0
Total Net Revenue	\$9,318.4	\$63,982.7	4.5%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date Sept. 2006-May 2007	
	May 2007	Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$808.7	\$7,184.6	5.6%
Employee Benefits/			
Teacher Retirement Contribution	701.7	5,935.9	7.8
Supplies and Materials	77.5	583.8	1.0
Other Expenditures	229.9	1,890.6	10.7
Public Assistance Payments	2,809.9	22,318.2	8.0
Intergovernmental Payments:			
Foundation School Program Grants	824.8	11,519.0	57.6
Other Public Education Grants	347.9	3,281.5	-42.3
Grants to Higher Education	82.9	727.1	-2.7
Other Grants	140.1	1,537.6	-17.8
Travel	13.2	100.5	12.7
Professional Services and Fees	270.1	1,503.6	1.9
Payment of Interest/Debt Service	51.5	564.8	38.2
Highway Construction and Maintenance	436.0	4,263.5	7.3
Capital Outlay	27.2	248.6	-19.6
Repairs and Maintenance	48.8	415.6	1.2
Communications and Utilities	-63.1	350.3	-23.8
Rentals and Leases	16.8	183.0	-0.7
Claims and Judgments	6.6	60.9	-21.4
Cost of Goods Sold	178.8	654.4	26.7
Printing and Reproduction	4.9	33.8	9.2
Total Net Expenditures	\$7,014.5	\$63,357.3	7.7%

By Function

General Government			
Executive	\$465.9	\$3,928.1	5.2%
Legislative	10.9	96.3	9.5
Judicial	21.6	174.2	14.7
Subtotal	498.3	4,198.7	5.7
Health and Human Services	2,724.5	21,577.4	8.1
Public Safety and Corrections	375.9	2,931.2	-10.3
Transportation	641.1	5,959.5	4.9
Natural Resources/Recreational Services	163.4	1,352.0	10.9
Education	1,869.8	20,895.5	11.5
Regulatory Agencies	19.8	180.7	-1.1
Employee Benefits	602.9	5,090.6	6.4
Debt Service—Interest	51.5	564.8	38.2
Capital Outlay	27.2	248.6	-19.6
Lottery Winnings Paid ²	40.2	358.3	16.5
Total Net Expenditures	\$7,014.5	\$63,357.3	7.7%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

Texas Stats Production: Tyra Peterson, Public Outreach and Strategies Division.
Economic Data: Winfred Kang and Gary Preuss, Revenue Estimating Division.
State Financial Tables: Ann Zigmund, Fund Accounting Division.



FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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Texas Comptroller of Public Accounts
Publication #96-369,
June 2007

A Whole Other Country

If Texas were a nation, it would rank tenth worldwide for gross domestic product, putting it above Russia, Brazil, India and other global players.

Rank	Nation	Million \$
1	United States*	13,246,600
2	Japan	4,365,100
3	Germany	2,899,100
4	China	2,626,700
5	United Kingdom	2,376,500
6	France	2,235,500
7	Italy	1,854,700
8	Canada	1,268,800
9	Spain	1,226,100
10	TEXAS**	1,074,750
11	Russia	984,900
12	Brazil	961,400
13	India	897,800
14	South Korea	888,000
15	Mexico	839,800
16	Australia	754,400
17	The Netherlands	663,000
18	Belgium	394,100
19	Sweden	385,300
20	Turkey	384,700

* U.S., including Texas

** If Texas were still a nation

Note: Dollar conversions to GDP are based on average annual exchange rates to the U.S. dollar in 2006.

Sources: Global Insight Inc. (World Overview: 1st Quarter 2007) and Susan Combs, Texas Comptroller.

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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